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MASS. ISSUES DRAFT REGS ON REGIONAL GREENHOUSE GAS INITIATIVE

*Massachusetts is first of 10 states to post rules for cap-and-trade system
intended to reduce carbon dioxide emissions and energy costs*

BOSTON – Energy and Environmental Affairs Secretary Ian Bowles announced today that draft regulations to implement the Regional Greenhouse Gas Initiative’s cap-and-trade system for limiting carbon dioxide emissions from large electric power plants have been released for public comment. Committed to the regional initiative by Governor Deval Patrick in January, Massachusetts is the first of the 10 member states to issue rules for instituting the market-based mechanism for reducing emissions associated with global climate change.

“With the federal government failing to address the challenge, leadership on global climate change has fallen to the states,” said Secretary Bowles. “Our agencies have been working closely with other states in the Regional Greenhouse Gas Initiative to develop rules governing our joint effort to reducing greenhouse gas emissions in a flexible, cost-effective, and market-based manner. That Massachusetts is the first to finish its draft regulations and put them out for public comment just seven months after joining the regional initiative is a sign of Governor Patrick’s commitment to tackling global climate change and creating a clean energy future.”

Massachusetts was the first state in the country to regulate greenhouse gas emissions, restricting emissions from six large electric power plants under regulations first developed in 2001. The new regulations – which will be promulgated by the Department of Environmental Protection and the Division of Energy Resources – extend coverage of carbon dioxide emissions from six power plants to 32 and provide for auctioning as the mechanism for distributing emissions allowances to power generators under the Regional Greenhouse Gas Initiative, with proceeds of the auctions used to reduce energy use and electric bills. In April, Massachusetts also became the first state in the country to begin requiring analysis of greenhouse gas emissions – and options to avoid, minimize, and mitigate them – in the state’s environmental review procedures for large development projects.

The Regional Greenhouse Gas Initiative (RGGI) is an effort undertaken by Northeastern states to develop a flexible, market-based system for reducing carbon dioxide emissions from power plants. On terms reached in December 2005, seven states – Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, and Vermont – signed a Memorandum of Understanding (MOU) to participate in the RGGI system. Although it had been involved in the development of RGGI from the beginning, Massachusetts declined to sign the agreement at that time. In one of his first official acts, Governor Patrick brought Massachusetts back into RGGI in January. Rhode Island and Maryland have since joined the regional cap-and-trade program as well. Emissions reduction commitments under RGGI go into effect on January 1, 2009.

Under RGGI, annual emissions of carbon dioxide from Massachusetts power plants 25MW and larger will be capped at approximately 26 million tons from 2009 through 2014, then reduced incrementally by 2.5 percent per year for the next four years. Under this cap, each state is given “allowances” for its emissions. Electricity generators will need one allowance for every ton of carbon dioxide they emit. Each state has discretion as to how it distributes these allowances. It can allocate them to generators for free, based on their past role in the energy marketplace, sell them by auction, or do a combination of the two – except that RGGI stipulates that at least 25 percent of allowances be allocated “for a consumer benefit or strategic energy purpose.”

At the time he signed the MOU joining RGGI, Governor Patrick declared that Massachusetts would auction its emissions allowances, using the funds generated by those sales – an estimated \$25 million to \$125 million per year, depending on the market price of the allowances – to fund energy efficiency, peak-demand reduction, and other cost-cutting efforts. Rather than bestowing the value of allowances on power generators as a financial windfall, using auction proceeds to increase efficiency and curb growth in energy use can reduce electricity costs for all customers even as greenhouse gas emissions are stabilized, then reduced 10 percent by 2018.

“National Grid congratulates the Commonwealth on being the first state in the RGGI program to issue regulations that will take important steps to slow and begin to reverse the global emissions of greenhouse gases,” said Joseph Kwasnik, Vice President, Environment, for the electric distribution utility. “We strongly support the transparent and equitable process of auctioning CO₂ allowances to fossil power generators, which will also provide needed revenues for investment in no- or low-carbon technology, such as energy efficiency and other non-conventional forms of energy.”

Issued nearly 18 months before the cap-and-trade system goes into effect in January 2009, the draft regulations meet the needs of industry stakeholders in several important ways:

- They have been made available well in advance of the system’s effective date, providing ample time for public comment and input.
- They set an early date for the first auction – second quarter of 2008 – in order to establish the availability of allowances and their price so that power generators can enter into contracts extending into 2009 and beyond.
- They establish quarterly auctions of allowances for the years 2009 through 2012, allowing for frequent adjustment of the marketplace.

“Governor Patrick and I are determined to cut energy costs at the same time that we curb greenhouse gas emissions,” said Secretary Bowles. “These draft regulations are another step on the path toward a lower-cost, cleaner-energy future for Massachusetts.”

The draft regulations are posted at <http://mass.gov/dep/air/laws/regulati.htm#proposed> and <http://mass.gov/doer/RGGI>. Four public hearings are scheduled as follows:

Monday, Sept. 10, 2007, 6 p.m.
MassDEP–Northeast Regional Office
205B Lowell Street
Wilmington, MA 01887

Tuesday, Sept. 11, 2007, 6 p.m.
1st Floor Conference Room
MassDEP–Southeast Region Main Office
20 Riverside Drive
Lakeville, MA 02347

Tuesday, Sept. 11, 2007, 6 p.m.
Lesley Phillips Forum, Fine and Performing Arts Building (C Building)
Holyoke Community College
303 Homestead Avenue
Holyoke, MA 01040

Wednesday, Sept. 12, 2007, 9:30 a.m.
MassDEP
One Winter Street, 2nd Floor, Rooms A, B, and C
Boston, MA 02108

Written comment on the regulations will be accepted until 5 p.m. Monday, September 24.

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